DoD
PACKAGING PILOT PROGRAM
Status Update

Packaging Pilot IPT

23 August 2000

Backgrou nd

- **OSD directs pilot implementation**
  - GEAE Evendale, Lynn / GEES Strother, Ontario, Cincinnati
  - Honeywell Phoenix / Tempe/Tucson

- **Formal OSD Pilot Program Consulting Group Oversight**
  - Oversight, Metrics, Lessons Learned & Reporting

- **Pilot Program executed by Block Change modifications**
  - All existing contracts and orders at participating facilities
  - Prime contractors enable GE/AS to utilize commercial packaging arrangements on all subcontracts

- **Rapid Improvement Team Deployment**

GEAE and Honeywell Metrics

- Quantitative metrics show positive trends
  - Cost Reductions/Savings are occurring
  - Cycle Time is being reduced
  - No warranty returns due to packaging problems
  - Insufficient data to date for statistical inferences
- Innovations are being implemented
- Anecdotal information positive

Proposed Pilot Program Expansion

- Current Pilot is “engine” focused
  - Minimal data to date
  - Provides little insight into other commodities
  - Data gathered to date insufficient to support any macro policy decisions
- Proposed Pilot Expansion
  - Broaden Pilot to include other Sectors within the two contractors’ business base
  - Use other Sectors
  - Use existing two commercial POCs as liaison
  - Apply Packaging Scorecard and Metrics review process
  - Utilize existing packaging IPT for technical coordination
  - Identify and implement expansion during 2nd & 3rd quarter FY00
  - Gather objective data to support policy development

Proposed Honeywell Sites

- Aerospace Electronic Systems
  - Boyne City, Michigan
  - Aircraft Instruments
  - Implementation: 1 May 2000
- Engine Systems and Accessories
  - Rocky Mount, NC
  - Hydromechanical Controls
  - Implementation: 1 May 2000

Expansion Candidates
(Initial Candidate List)

- AM General Corp South Bend, IN
- B.F. Goodrich Landing Gear Cleveland, OH
- Bell Helicopter Textron Ft. Worth, TX
- Boeing Aircraft and Missile Philadelphia, PA
- Boeing Aircraft and Missile Wichita, KS
- L-3 Communications East Camden, NJ
- Lockheed Martin Astronautics Denver, CO
- Lockheed Martin Vought Systems Dallas, TX
- Northrop Grumman St. Augustine, FL
- Raytheon Missile Systems Tucson, AZ
- Raytheon Systems Ft. Wayne, IN
- Rockwell Collins Cedar Rapids, IA
- Sikorsky Aircraft Stratford, CT
- Sundstrand San Diego, CA

Additional Expansion Candidates *Second Candidate List*

Electronics and Communications

- Lockheed Martin/Denver CO Sent Pkg to Bill Manning
- Raytheon/Lexington MA Sent Pkg to Bob Elden
  Interested
  Conference Call
- Boeing Solid State Electronics/Kent WA Contacted Meredith Murphy
- Northrop Grumman/Rolling Meadows IL Contacted Donna Livesay
- GTE Unknown
- DynCorp Unknown
- Rockwell Collins/Cedar Rapids IA Not Contacted

General Aerospace

- Sikorsky/Stratford CT Unknown
- United Tech/Pratt Whitney/Hartford CT Sent Pkg to Paul Robert and DCM. Wants to Pilot.

Additional Expansion Candidates *Second Candidate List* -cont'd

DoD Overall Vehicles

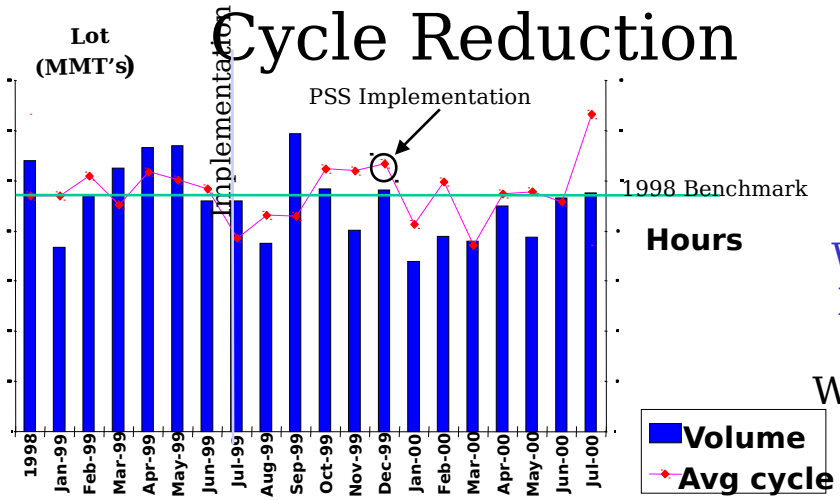
- GeneralDynamics/LimaArmyTank/Muskegon MI Unknown
- Carlyle Group Unknown
- Borg-Warner(Spring Drummer)Automotive/Chicago IL Sent Pkg to K. Dutkiewicz
- RENCO/AM General Corp/South Bend IN Contacted DCM
- Stewart & Stevenson/Sealy TX Left Msg with DCM
- Oshkosh Truck/Oshkosh WI Left Msg with DCM

DoD Ships

- Gen Dynamics/Electric Boat/Groton CT Unknown
- Newport News Shipbuilding/Newport News VA Unknown
- Litton Industries/Marine/Charlottesville VA Unknown
- Lockheed Martin/Naval Electronics/Syracuse NY Contacted DCM. No Interest by DCM.

GE Aircraft Engines *QMI*

Cycle Reduction



Quality

Number of Reports of Discrepancy (RoD's) since implementation (5/3/99) -- 8

Wrong Quantity in a unit pack -- 5

Discrepant Label -- 3

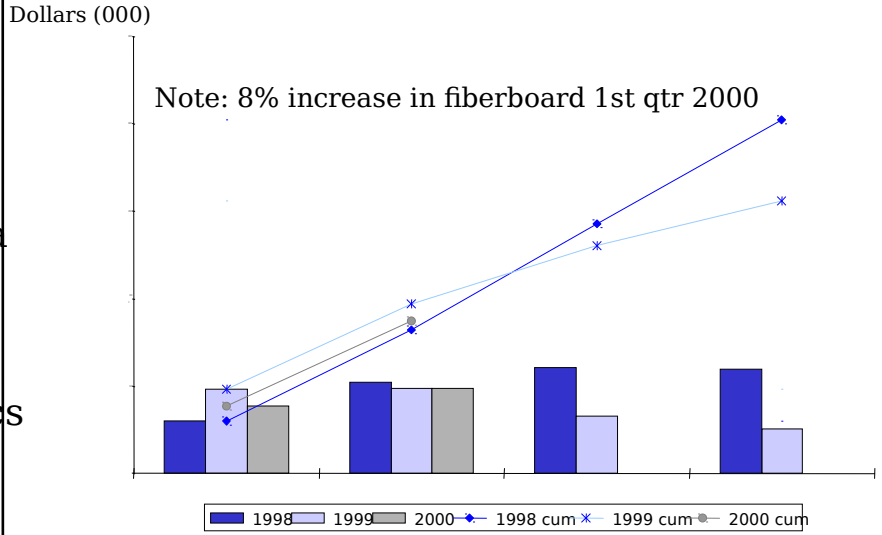
Warranty Returns -- 0

Zero Container Failures

Packaging Innovations

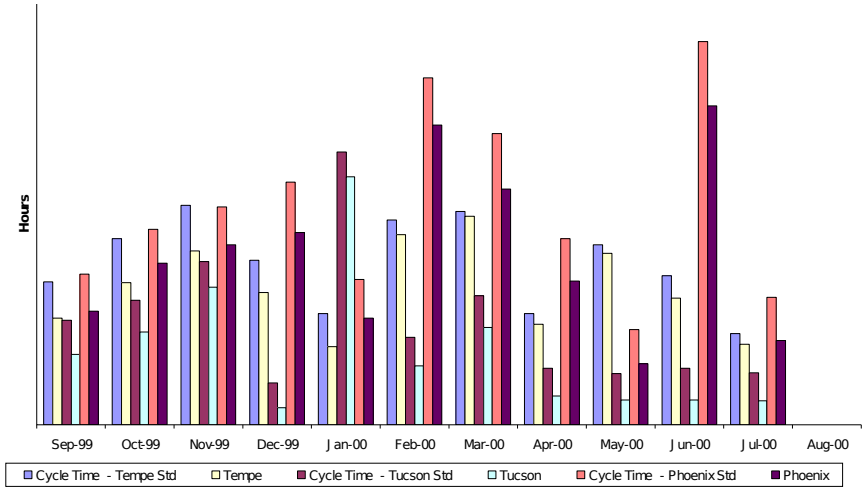
- Five reports submitted
  - Blades in bags
  - No metal caps
  - Source packaging
- Fiberboard container edge crush test criteria
- Foam in Place reduction
- Increased Automation
- Rationalized fiberboard across GEAE sites
- Developing a Foam in Place Replacement-- Plastics Reduction

Packaging Material Costs



Honeywell

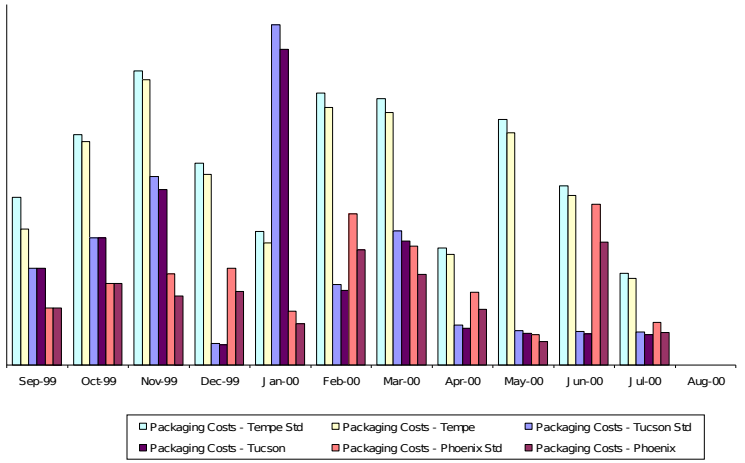
Military Packaging Pilot Status



	12 Mo.	YTD.
Number of Pieces Shipped		411K
Number of Warranty Returns	2	0
Percentage of Warranty Returns	0%	0%

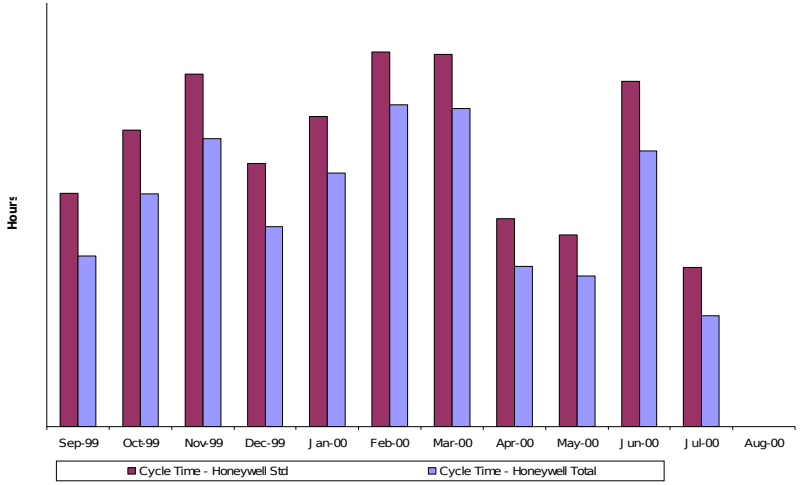
Currently monitoring warranty to detect any packaging related discrepancies

- Form cavity Inserts	On Order
- Korvu	under investigation
- 100% Recyclable foam	Investigating
- Replace wet tape	under investigation
- Reduce Glass tape	under investigation
- 5S Phoenix Shipping area	In process
- Visual tool	Building signs
- Standardize supplier pack material	under investigation
- Convert to commercial STD form	Complete
- Use cushion pak to pad pak paper	under investigation
- Change labeling process for mechanical parts	under investigation
- Redefine the use of desicant.	In process
- Use supplier prepackaged containers	In process



Innovation report in process for Implemented Items

Military Packaging Pilot Status



	12 Mo.	YTD.
Number of Pieces Shipped		4215K
Number of Warranty Returns	2	0
Percentage of Warranty Returns	0%	0%

Currently monitoring warranty to detect any packaging related discrepancies

- Form cavity Inserts	On Order
- Korvu	under investigation
- 100% Recyclable foam	Investigating
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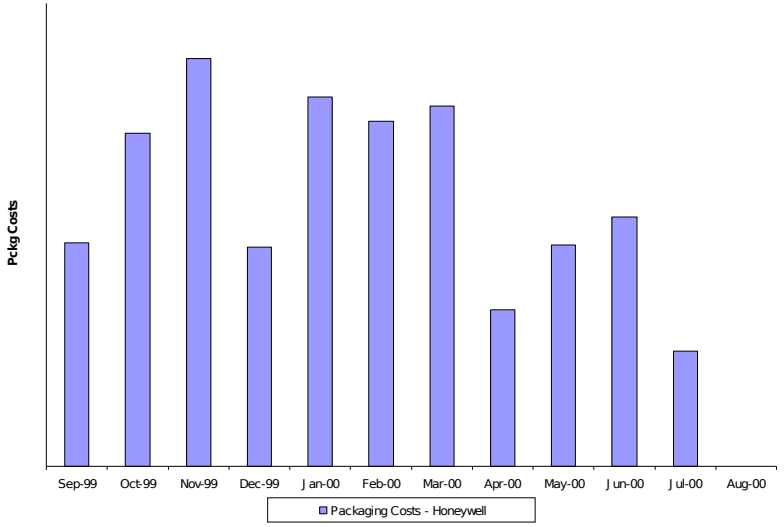

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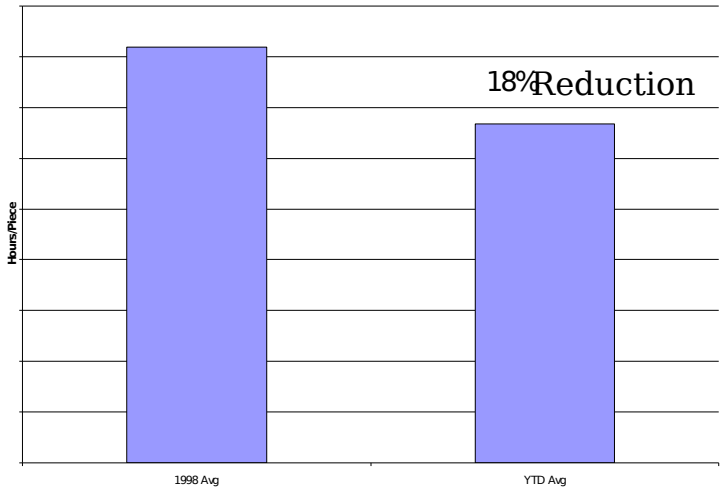

	12 Mo.	YTD.
Number of Pieces Shipped		215K
Number of Warranty Returns	2	0
Percentage of Warranty Returns	0%	0%

Currently monitoring warranty to detect any packaging related discrepancies

- Form cavity Inserts	On Order
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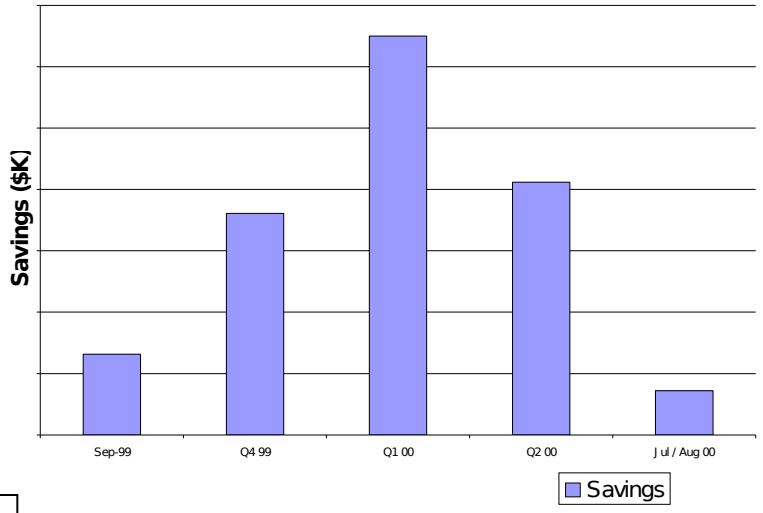


Innovation report in process for Implemented Items

Thoughts About the Pilot Program

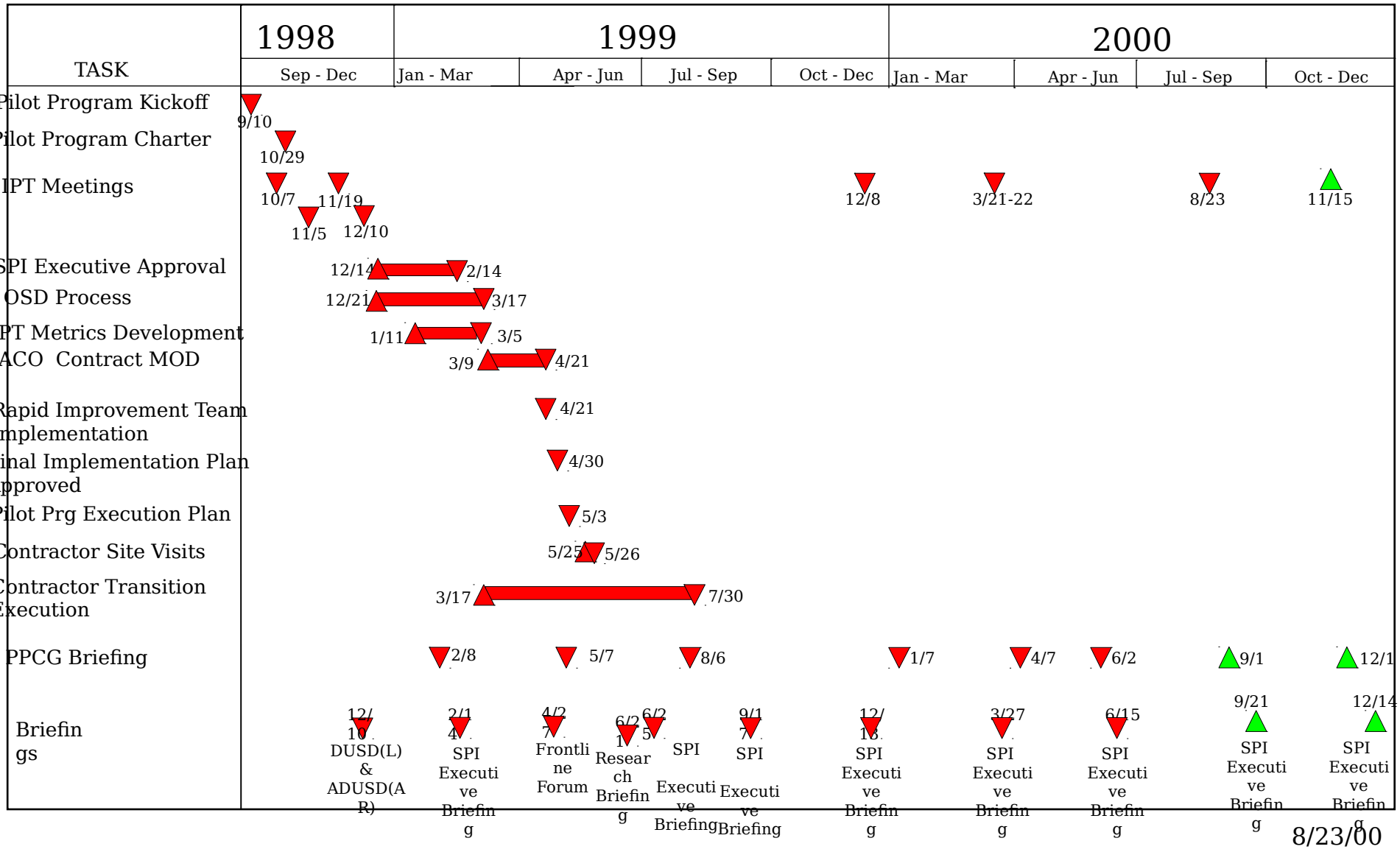
- Contractor Comments:
  - *"Process, material and equipment groups are all participating."*
  - *"How can we make this authority permanent?"*
  - *"Shipping folks are taking immediate action and are empowered."*
  - *"Has acted as a catalyst for areas other than packaging."*
  - *"New ideas are pushing the envelope."*
  - *"The packaging suppliers have been challenged."*
  - *"There may not be enough time in the Pilot to prove the concept."*
  - *"The Pilot ROI may not be sufficient to justify participation."*
  - *"Warranty requirements are a concern."*
- DCMC Comments:
  - *"Working very well."*
  - *"More rapid and open communication; routine meetings are now the norm."*

Pilot Contractor as a Subcontractor

Flow Up of Commercial Packaging Practices

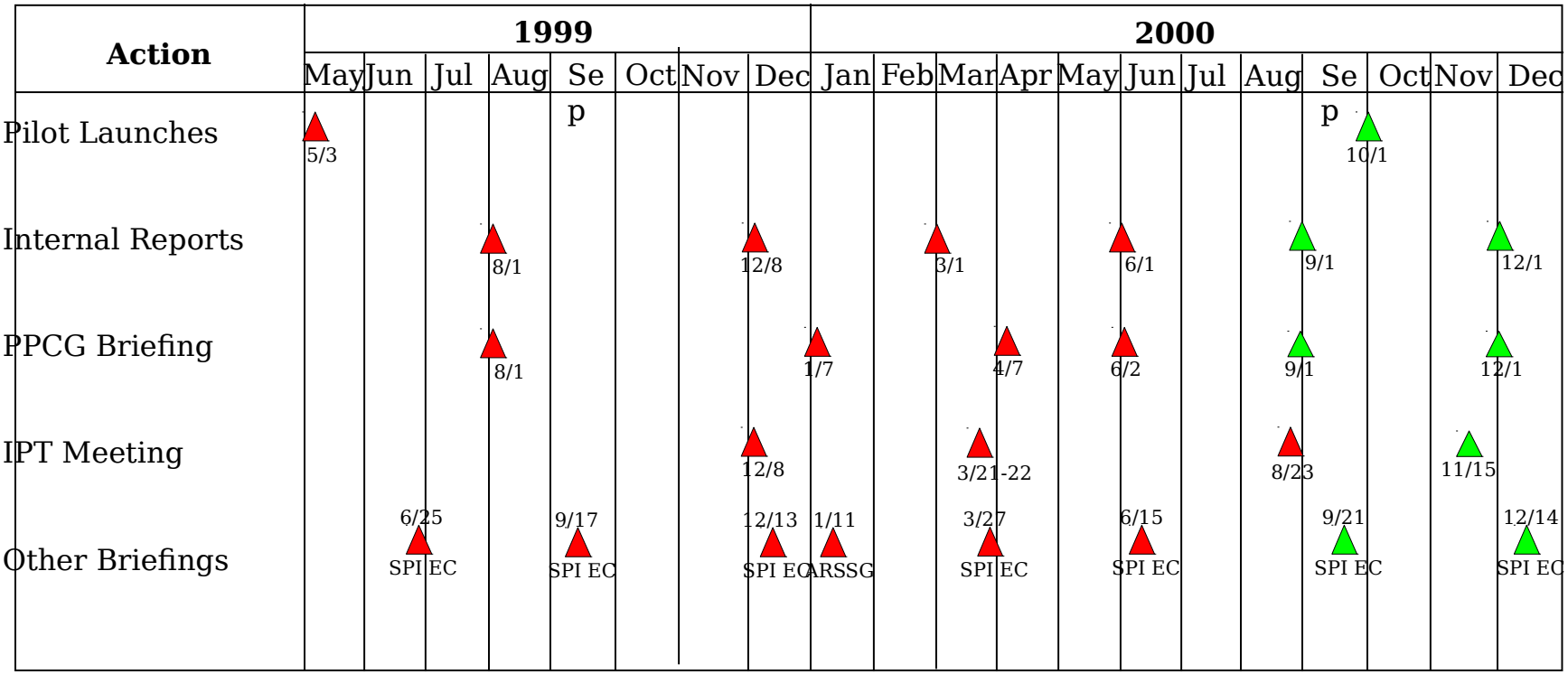
Existing subcontracts. Where [*pilot contractor*] is a subcontractor and the subcontract specifies packaging in accordance with a version of Mil-Std-2073 or any standard other than the contractor's commercial packaging practices, DCMA shall notify the prime contractor that [*pilot contractor*] is participating in a Pilot Program and is authorized to package items using its standard commercial packaging methods. The DoD buying activity shall modify the prime contract, if necessary, to allow [*pilot contractor*] to use its commercial packaging practices in performance of its subcontract

Packaging Pilot Schedule



8/23/00

PLAN FOR REPORTING AND EVALUATING RESULTS



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Balanced Scorecard

Commercial Packaging Pilot Program

	KEY PERFORMANCE FACTORS							
	Quality Protection		**Cost of Packaging**	**New Process Operating Cost**	**Minimization of Plastics**	**Pak Cycle Time**	**Innovation**	
Goals (in priority order)	No more than 1% (project code items) returns under warranty	Zero Safety Problems Zero impact on readiness	(By end of program) Reduct-ion in overall Pak costs of 10% over current baseline to package military items	No increase in cost of O&M due to innovation for program code item	No increase in quantity of plastic materials over 3 years No decrease in marine degradable materials over 3 years	Reduce Pak cycle time by 10%	Tested innovations within 1 year reported to IPT that can be transferred 10% increase per year	Clear input of end user RQMB, lower hassle of Introducing Innovation, increase in items offered by DoD Pac specialist
Performance Measures	# of package failure results in part damage/failure	Survey of end-user satisfaction	Dollars	Track O&M costs trend for program code items	Vendor efforts to reduce plastics & increase degradables	Time	# of innovations submitted to DoD Log when submitted (briefing)	Survey of Vendor Personnel
Performance Drivers	Supply Discrepancies Reports Warranty Cards (DCMC, DLA, AMS)	Interview, Questionnaire or observation with immediate reporting	Calculate the difference be-tween baseline military packag-ing costs and pilot program military packag-ing costs. Report periodically as required	Surveys-sample incrementally to baseline & look for trends Report of survey Trends out of depots/Users on DD1225/364s	Visit every 6 months for observations & discussions Vendors report on actions taken	Baseline Log in/Log Out of current Mil Pak vs innovation Sampling done along with cost baseline	Review Log at IPT meetings	Survey prior to IPT meeting
Action Officer	F Local DCMC Rep will log R Industry Rep will review	F IPT Sub Team	F Local Vendor Site	PMCPs Roll up to IPT	F Frank Sechrist R Local Vendor Site	F Local Vendor Site	F Local Vendor Site	F IPT Sub Team